

Increasing grain costs spell bad news for Korean consumers

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News



A customer looks at ramyeon products on display at a supermarket in central Seoul on Sunday. The price of ramyeon rose by 11 percent in October compared to the same month last year, the highest surge in almost 13 years since February 2009 when ramyeon prices soared by 14.3 percent on year. [YONHAP]

The increasing costs of wheat, oil and corn around the world are ringing alarm bells in Korea.

The consumer price index for foods is on the rise, due to the nation's reliance on imported grain for processed food products.

The price of ramyeon products rose by 11 percent in October compared to the same month last year, the highest surge in almost 13 years since February 2009 when ramyeon prices soared by 14.3 percent on year. Since August this year, major ramyeon manufacturers such as Ottogi, Nongshim and Samyang have been raising their prices citing increased wheat and palm oil costs.

The rise in prices of raw ingredients does not immediately affect the consumer price index but shows in the following months, according to Statistics Korea.

Prices of noodles also rose last month by 19.4 percent on year, as did biscuits by 6.5 percent, pasta by 6.4 percent, bread by 6 percent and snacks by 1.9 percent.

The increasing cost of grain — namely wheat and corn — is the reason for the inflation, according to experts.

In 2019, 76.7 percent of grain consumed in Korea, or 16.11 million tons, was imported from overseas, making Korea the seventh largest grain buyer in the world. The surge in prices of ingredients has led prices of consumer goods such as ramyeon, bread, oil and mayonnaise to follow.

According to the Korea Rural Economic Institute (KREI), the price of imported wheat was \$344 per ton in October, 19.9 percent higher than the same month last year. During the same period, a ton of beans cost \$618, a 58.1 percent increase on year; while a ton of corn cost \$359, or 83.2 percent higher.

"If the price of imported grain rises by 10 percent, then that brings up the consumer price index by 0.39 percent in Korea," said Kim Jong-in, a researcher at the KREI.

The consumer price index for October rose by 3.2 percent compared to the same month last year, the steepest surge in nine years and nine months according to Statistics Korea.

The price of bread and grain rose by 6.2 percent in October compared to last year, while the price of cooking oil rose by 8.4 percent during the same period.

The upward trajectory of grain and oil may continue and subsequently lead to even higher year-end prices.

The price of key food commodities has been rising around the world due to worsening supply and increasing demand, according to the Food and Agriculture Organization (FAO) of the United Nations.

The FAO Food Price Index for October rose by 31.3 percent on year, after rising for three consecutive months since July, according to the latest update made on Nov. 4. The price index also recorded its highest level since July 2011.

The FAO Cereal Price Index, which includes the price of grain and wheat, in October rose by 22.4 percent compared to the same month last year as the prices of major cereals all rose, according to the FAO.

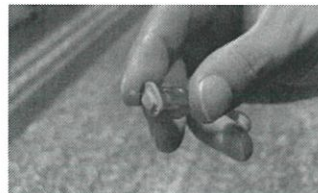
"World wheat prices continued to surge for a fourth consecutive month, rising by a further 5 percent in October, to stand 38.3 percent higher year-on-year, and reaching their highest level since November 2012," the report said.

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US economy

'Skimpflation': frustration as US firms skimp on service as prices rise

Edward Helmore

Sat 6 Nov 2021 02.00 EDT

"Flight cancelled"; "service temporarily suspended"; "not currently available"; "longer than normal wait times": these are the messages that confront US consumers daily as the economy struggles to find a post pandemic footing. Now the phenomenon has a name: "skimpflation".

It's a simple in concept - struggling with shortages of workers and goods, companies are skimping on what they offer consumers while, in many cases, charging the same

price or more for that service.

But skimpflation may have profound consequences, and may even go some way to account for the rising tide consumer of dissatisfaction seen in increasing air rage incidents and even the Biden administration's plummeting poll numbers.

Skimpflation is everywhere. Last weekend, American Airlines cancelled upwards of 2,000 flights, leaving thousands stranded, as a single weather event (high winds in Dallas) threw the carrier's rotas of pilots and flight attendants, already in short supply, into chaos. But passengers weren't the only ones affected. Crews found themselves having to work double shifts or stuck far from home at the end of work.

All of this, says Alan Cole, a writer at [Full Stack Economics](#) and formerly a senior economist at the joint economic committee of the US Congress, is part and parcel of the skimpflation, a sometimes subtle, sometimes overt, sense among consumers that they are getting less for their money, worker unhappiness with consumers and employers, employers' unhappiness with restive workers. It's an economic force that leaves everyone feeling they are getting the bad end of the transaction.

"Nothing prepared us for how much life has gotten worse," Cole told the Guardian. "Most of these factors haven't been picked up on by the Bureau of Labor Statistics. We thought these changes to products were going to be temporary, so it was reasonable not to account for the changes. But now everything has got worse all at the same time, so even if you tried to account for them, you probably couldn't."

Even if skimpflation cannot be measured conveniently, consumers have certainly noticed that the quality of service seems to be deteriorating everywhere. Consumer satisfaction indices are trending down, as they have been since before the onset of the pandemic, while consumer confidence was mildly better last month after dropping over the summer.

At the same time, exit polls from the upset in the Virginia governors race this week showed that one-third of voters registered the economy as their chief concern. With the job market still 7 million workers down from pre-pandemic employment levels, inflation running at a 30-year high, and worker dissatisfaction triggering a mass resignation, circumstances could get worse.

As National Public Radio noted last week, Domino's is taking longer to deliver pizzas; airlines are putting call-in customers on hold for hours, and restaurants, bars and hotels are understaffed.

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And that's before the holiday season, when yet more Americans are likely to run into examples of skimpflation in travel, present buying and entertainment.

In a September column, Cole confessed to becoming "an inflation crank" after he stayed at an upscale hotel. "The breakfast was comically unimpressive: little more than some individual cereal boxes, a limited assortment of poorly cooled beverages, and paper dishware," he wrote. Some of these degradations come, he argues, with a plausible Covid-19 justification but they are also down to companies reducing labor costs.

In economic terms, the balance of power between supply and demand may have shifted post-pandemic. Cole reasons that consumers had become accustomed to a slick services culture and cheaper goods that are harder to support with the rollback of globalization triggered by the supply chain issues affecting western consumer economies. Employers had become used to having the upper hand with workers keen to keep their jobs and buy those cheap goods and services.

It's possible for both sides to feel they've made sacrifices and to feel unhappy about the situation
Alan Cole

"That has unwound," he says.

Successive rounds of stimulus cash from Washington flushed money into the economy at a time when capacity was constrained by Covid. Now that the pandemic is (hopefully) waning those consumers have cash to spend and workers have more job opportunities. "So now we're seeing the opposite balance of power, especially if you have a house to sell or you're a worker in the food service industry," Cole says.

To the consumer, who are sensitive to losses of services and generally take improvements for granted, the effects of skimpflation can be traumatic.

"We expect civilizational progress, but this was an unusual case of a new development affecting the real economy that was obviously negative," Cole says. The new world is still one of masks and vaccine mandates, workers remain anxious about Covid, and fear - and its close cousin anger - is everywhere.

A small business owner offering more money or flexible working conditions is likely to feel that workers who don't show up are being unreasonable. But workers are, conversely, likely to feel that they're being endangered at worst or inconvenienced at best.

“There are lots of non-wage dimensions to jobs and normally they’re not that big of a deal,” says Cole. “Now they’re all being renegotiated, with new conveniences and inconveniences to be argued about. That raises the transactions costs on both sides. So it’s possible for both sides to feel they’ve made sacrifices and to feel unhappy about the situation. But it’s really not one or the other, it’s just that the world has got worse.”

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reliance, affect, skimp, dissatisfaction, be part and parcel of, deteriorate, cranky, globalization, have the upper hand, take for granted,

Have you noticed any price increases when you go food shopping?

Are you surprised that Korea relies so much on imports for grains?

Have you noticed “skimpflation” when you shop?

Are you a frustrated consumer?

Have you had a bad experience with a frustrated customer at your part time job?

Have you gotten into an argument with a store clerk?

Do you feel that life has gotten worse?

Do you think people are crankier because of the pandemic?

Has globalization benefited/hurt you?

When do you think life will get back to normal?